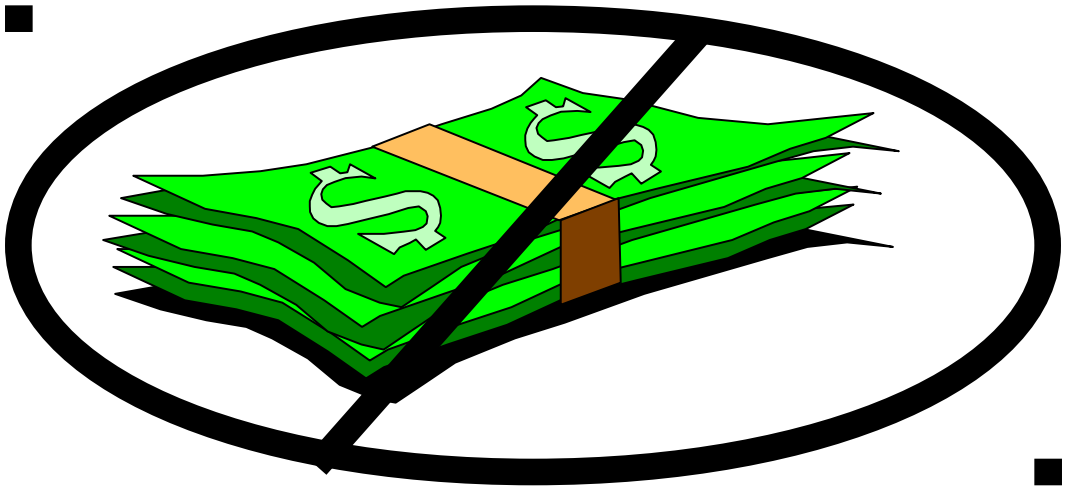
Survivor Benefit Plan

SBP For Marines at the 18-year mark

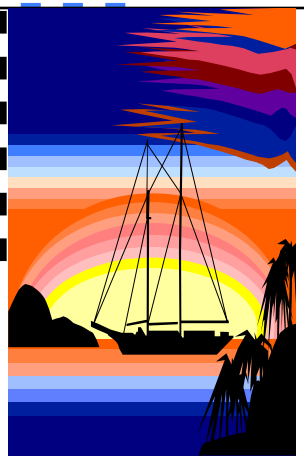
United States Marine Corps

RETIRED PAY

STOPS



WHEN THE RETIREE DIES!



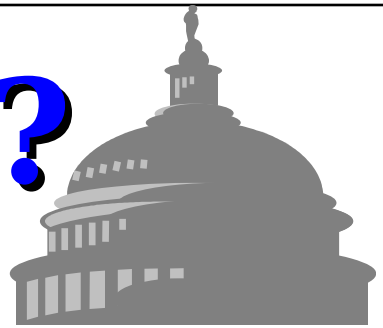
Average Life Expectancy:

White Females	80
White Males	73
All Other Females	76
All Other Males	68

Probability of spouse outliving member:

Male, Enlisted AGE:	Spouse AGE:	Probability of spouse outliving member:
38	36 / 38	66% / 61%
42	40 / 45	66% / 54%
45	40 / 42	72% / 68%

What Is SBP?



- Enacted by Congress in 1972
- Sole means for retiree to continue a portion of retired pay to survivors
- All service members covered while on active duty for FREE!
- Joint decision at retirement -- gov't begins to share cost
- SBP provides:
  - annuity of 55% (pre-62) & 35% (post-62)--flows from "base amount"

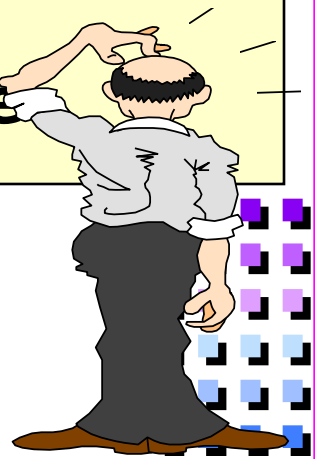
What Is A Base Amount?

- Base amount is the amount that determines:
  - the monthly cost to the member and
  - the annuity paid to the survivor

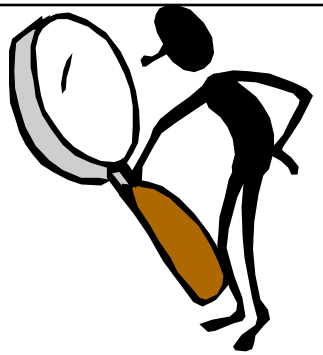
- Retiree selects the base amount:
  - Highest -- full gross retired pay
  - Lowest -- $300 by law
  - may choose any amount between

About Elections

- **Must be made *before* retirement**
- **Certain elections need concurrence**
- **Generally irrevocable (however, may be cancelled with spouse concurrence between months 25-36 following retirement)**



Six Election Options



1. **Spouse only:**
   - Annuity paid forever (unless remarriage occurs pre-55 → suspended); cannot be outlived
   - If pre-55 remarriage ends, annuity is reinstated

2. **Child(ren) only:**
   - Under 18 or until 22 if unmarried, full time student
   - Permanently disabled child receives annuity for **LIFE!**

3. **Spouse and Child(ren):**
   - Spouse is primary beneficiary
   - Children receive payments only if spouse becomes ineligible due to death or remarriage before age 55

Six Election Options (cont.)

4. **Former spouse only:**
   - Can be volunteer, per written agreement, or directed

5. **Former spouse and child(ren):**
   - Only the member's and that former spouse's children

6. **Insurable Interest Person:**
   - Only when no spouse or one child at retirement
   - Relative closer than a cousin
     - » No proof required
   - OR Person with financial interest in retiree
     - » Proof: life insurance beneficiary, joint property owners

New Termination Feature

- Can terminate after 2 years of retirement
- One-time, one-year window between 25th

  and 36th mo. after start of retired pay
- Spouse concurrence
- Barred from future enrollment
- No refund of past premiums
- Why the law change?

  -- acknowledge need for flexibility

At two year mark, ask yourself:

1) Is my retired pay still a major part of my family's security?

2) Have I adjusted my lifestyle to incorporate the cost of SBP?

- If **YES**, let your participation ride.

- If **NO**, discuss termination with your spouse, whose concurrence you need, and take action to disenroll.

** **In any event, we recommend you sit down with an SBP Counselor or call (800) 336-4649.**

Active Duty Coverage

- Established by PL 107-107 to correct inequities in benefits provided to survivors
- Line of duty (LoD) deaths
  - Based on 75% of BP
- Not in the line of duty
- Retirement-eligible
- A/D death vs. 100% disability retired

How much does SBP cost?

Spouse Only: 6.5% of base amount selected (in general)

Examples:

Base Amount:	$ 520	$1200	$2000
Cost:	$ 13	$ 78	$ 130
Annuity (55%):	$ 286	$ 660	$ 1100

Lower of either:

(1) 6.5 percent of the designated base amount

OR

(2) if the elected base amount is less than **$1,172** as of 1 Jan 02, take 2.5 percent of the first $547* of the elected base amount plus 10 percent of the remaining base amount (see Examples).

Cost Examples

Method (1) Spouse coverage

Base amount: $1,500 x by 6.5 percent (.065) = $97.50/month

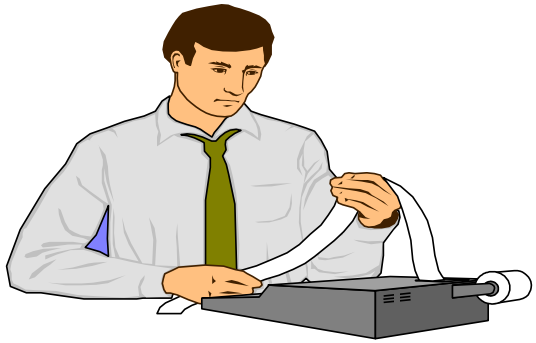
OR

Method (2) Spouse coverage

Base amount: $900

1. Take first $547 and multiply by 2.5 percent (.025) = $13.67
2. Take remainder $353 and multiply by 10 percent (.10) = $35.30
3. Add $13.67 + $35.30 = $48.97/month

Whichever is most beneficial. As of 1 Jan 02, if the base amount is $1,172 or more, the cost will be less under method (1) above and if the base amount is less than $1,172, the cost will be less under method (2) above.



"Threshold" Amount

Portion of base amount which costs 2.5%

- Increases by same % as AD COLA
- $547 (eff. 1 Jan 02)
- Instead of a $300 base, cover $547 at 2.5%

	Base Annuity	Cost	
Threshold	$547	$13.67	$301
Minimum	$300	$ 7.50	$165

SBP Cost

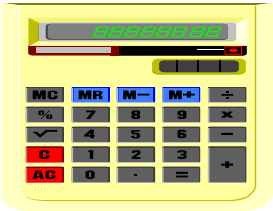
Children Only: based on age of member and youngest child.

Less expensive than spouse coverage.

Spouse and children: Spouse cost plus additional amount for the for the children (usually minute). Additional child cost is based on age of member, spouse and youngest child.

- A cost computation can be obtained by contacting an SBP counselor or visiting Counselor's Hooch in the Retired Activities website.

SBP's Real Cost



	NO SBP	SBP
Retired Pay	$2,000	$2,000
SBP Cost	$ 0	$ 130
Taxable Pay	$2,000	$1,870
Tax Paid (28%)	$ **560**	$ **524**
Annuity	$ 0	$1,100 (pre-62)
		$ 700 (post-62)

*** This non-participant actual "pays" $36/mo in the form of**

Can I Tailor SBP To Meet My Needs? Yes….Think "Base Amount"

Challenge: What base amount should I cover to meet our needs?

Solution: Divide the goal amount by

Examples:

$800 annuity -- choose $1455 as base

$400 annuity -- choose $727 as base

Supplemental SBP (SSBP)

- Increases the after-62 basic 35% benefit to 40, 45, 50 or 55%
- Must cover full retired pay as base amount
- Features:
  - → **voluntary (can't be court-ordered)**
  - → **concurrence not needed**
  - → **not government-subsidized**
  - → **cost is age-based**
- SSBP not part of death-on-active-duty coverage for AD members
- A "no-brainer" for uninsurable members

No Beneficiary at Retirement?

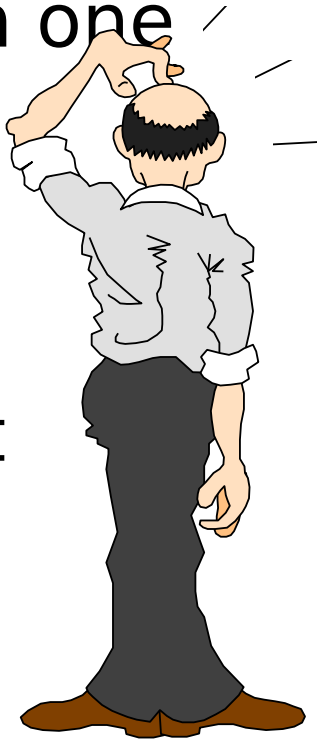
-- Decision whether or not to enroll new family

members MUST be made within one year of

gaining them

-- New spouse becomes eligible at 1-yr anniversary

(No costs incurred until then)



"30-Year Paid-Up Provision"

- **Effective 1 Oct 2008**
- **No further cost (but annuity payable)**

  after…

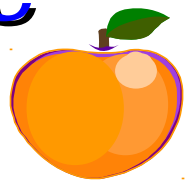
  -- 30 years of paying premiums… AND

  -- reaching age 70

Unbeatable Features

- Government subsidized plan
- Tax-free premiums
- Inflation-adjusted (COLAs)
- Flexible: can terminate between years 2 & 3
- “Paid up” after 30 years premiums + age 70
- Cannot outlive annuity
- Age, health, smoking, sex, lifestyle -- not considered
- Cost does not include extra fees
- Premiums suspended if NO beneficiary
- Can only be changed by Congress
- Age of spouse not a factor in member’s costs
- Income safety net; peace of mind

4 Main Points When Comparing SBP to Life Insurance



- It takes a **surprising** amount of insurance to do for the spouse what SBP will (based on averages).
- It will take **a lot more** insurance if the spouse outlives the retiree by the longest period of time.
- The amount of insurance needed over time **rises due to inflation**.
- Even though insurance may appear to be an inexpensive “alternative” at retirement, it’s **harder to obtain & increasingly expensive** as you age.

One Young Widow's View

(actual letter)

"....each day I thank my late husband for his taking SBP...it allows me to live with decency and independent of others....the utility bills have not changed with the loss of my husband....minor home repair and car maintenance now must be done by others and it becomes a major burden.... the loss of a partner impacts on the objectivity of spending money, especially for major items....the life insurance was only a supplement to SBP, because $100,000 or

SBP Endorsement

“We endorse SBP because we feel it is in the best interest of the retiree. We have examined SBP very carefully and concluded that SBP does what it is designed to do better -- and with less risk -- than any alternative we, or any other company could devise.”

(BG Robert F. McDermott, USAF Ret
Former Chairman, USAA)

DoD Actuary's Advice to Retiring Males

Men can't go far wrong taking the maximum SBP. The situations for them where the threshold amount of SBP is not worth it are rare. The older you are, the more you want SBP. The younger your spouse is, the more you want SBP. The worse your health is, the more you want SBP.

(Advice based on expected values and numerous statistics)

DoD Actuary's Advice to Retiring Females

"....I cannot, in good conscience, advise *all* female retirees that it is always a good financial decision to take maximum SBP. If you are approximately the same age as your husband, taking SBP is a relatively better choice than if you are 6 or 8 years younger. However, I think female retirees would be very foolish not to take the time and effort to find out what the valuation software advises in their particular case."

For More SBP Information….

Log on to:

www.usmc.mil

Click on: *Career*, *Retired*, *SBP*

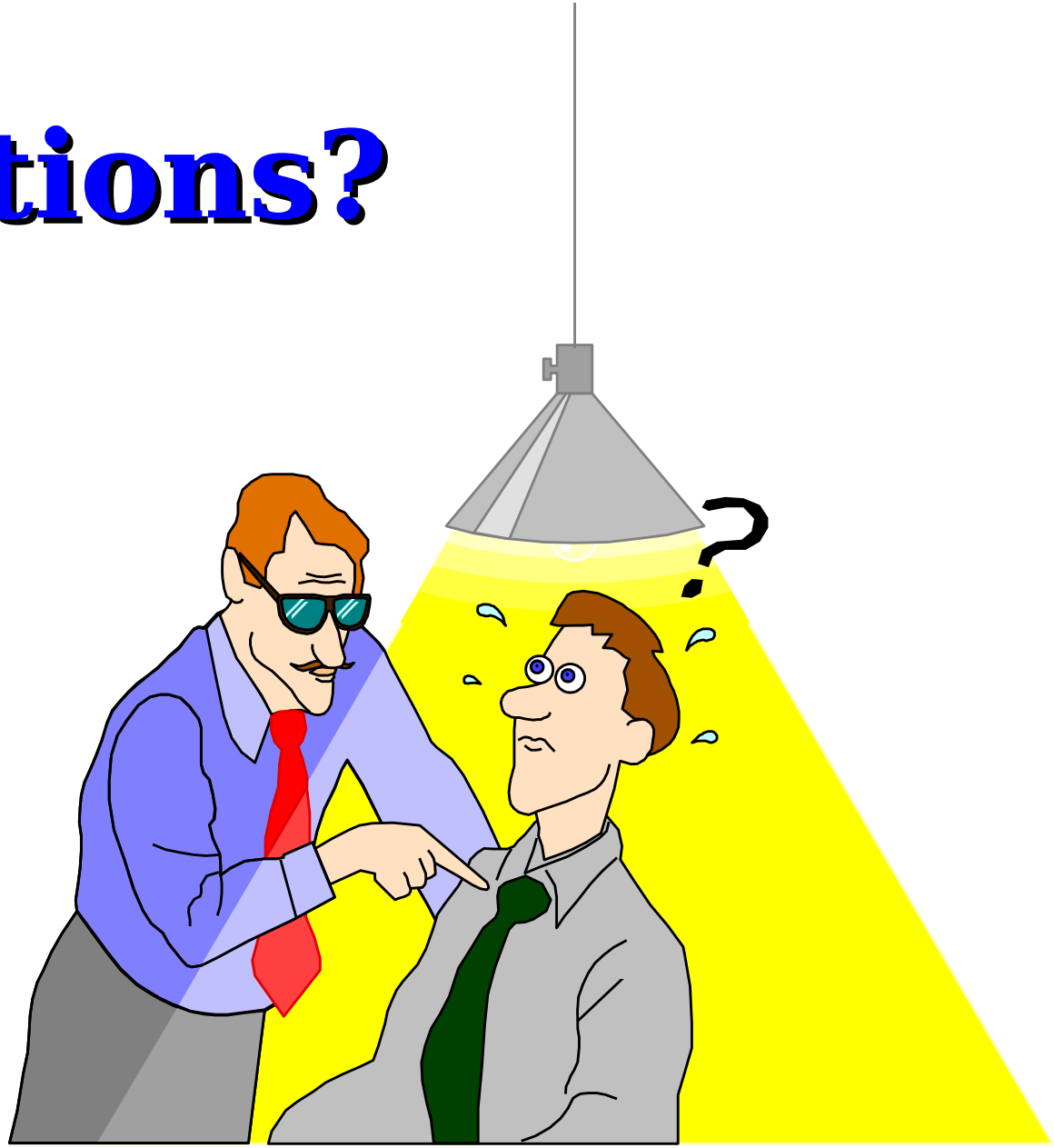
POC:

Mr. HicksComm: (703) 784- 9310/11/12

Capt Schrader DSN: 278-XXXX

Toll free: (800) 336-4649

Questions?



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